

AR79



**The EQUITABLE LIFE insurance company
OF CANADA**

Annual Report

1973

DIRECTORS

HONORARY DIRECTORS

OFFICERS

T. R. SUTTIE, F.I.A., F.C.I.A.	<i>President</i>
G. R. BLAKE, F.L.M.I.	<i>Vice-President and Treasurer</i>
D. L. MacLEOD	<i>Vice-President, Marketing</i>
H. I. McINTOSH, F.S.A., F.C.I.A.	<i>Vice-President and Actuary</i>
R. A. SAUNDERS, F.S.A., F.C.I.A.	<i>Vice-President and Comptroller</i>
W. H. WAHL, F.C.I.S., F.L.M.I.	<i>Vice-President and Secretary</i>
G. L. BRUNT, C.L.U.	<i>Regional Sales Director</i>
B. V. DOUTHWAITE	<i>Regional Sales Director</i>
L. J. HAMEL, F.L.M.I.	<i>Investment Administrative Officer</i>
G. J. MELNIK, F.S.A., F.C.I.A.	<i>Group Actuary</i>
D. J. MULLIGAN	<i>Employee Benefit Plans Sales Director</i>
R. NOBLE, A.A.C.I.	<i>Assistant Treasurer, Property Investments</i>
W. H. PUGH, F.L.M.I.	<i>Assistant Secretary</i>
D. C. RAMSAY, F.L.M.I.	<i>Systems and Planning Officer</i>
D. G. SEEBACH, F.L.M.I.	<i>Marketing Services Director</i>
McGIBBON, HARPER & HANEY	<i>Solicitors</i>
P. G. SCHWAGER, M.D.	<i>Medical Director</i>

DIRECTORS' REPORT

TO THE POLICYOWNERS OF THE EQUITABLE LIFE INSURANCE COMPANY OF CANADA

NEW BUSINESS — New records were again established in the volume of business written. Individual insurance and annuity sales amounted to \$97,299,380, an increase of 26% over the previous year. Group sales at \$41,041,134 were below those for 1972. The total of \$138,340,514 exceeded that for the previous year by 6%. These new writings, together with increases in existing groups, brought the business in force to \$1,652,345,834, a record gain of \$196,818,224 in the year.

PREMIUM INCOME — At \$17,192,430 the premium income exceeded that of the previous year by \$3,887,453, a contributory factor being an increase of \$1,572,657 in annuity single premiums.

POLICY RESERVES — These were computed on the same basis as in the previous year. Included in this item are the Unallocated Actuarial Reserves of \$242,113 (a reduction of \$400,000 from the previous year) and the Mortality Fluctuation Reserves of \$486,872. No change was made in the latter, since the mortality experienced was close to that expected. The increase in single premium annuity sales referred to above had a negative impact on surplus of approximately \$300,000 because the statutory reserves are computed at a lower interest rate than that used in the premium calculation; this amount will be released as surplus in future years.

SPECIAL CONTRIBUTION TO PENSION PLAN — For many years the Company has made regular payments into a contributory pension plan for its salaried and sales staff, the pension for each member being computed on the basis of years of service and his average earnings throughout his career. As a consequence of the inflationary conditions in recent years, the resulting pensions at retirement have been a lower percentage of the incomes immediately preceding retirement than had been intended when the plan was instituted. To correct this, pensions earned to date, both for pensioners and active members, were increased during the year at a cost of \$610,000. This special payment is deductible from income under the provisions of the Income Tax Act, reducing the net cost to the Company to \$335,000.

ASSETS — Two transactions during the year resulted in substantial profits over book values. These were the sale of our former Head Office building and of shares of Markborough Properties Limited as a result of the offer made by the Hudson Bay Company. These profits, together with the profits and losses on normal investment activities, are reflected in the item "Net adjustment in asset values" in the Summary of Operations.

TAXATION — The estimate of the income tax payable for 1973 is \$295,000, of which \$210,000 is reported as a deduction from investment income and the balance is shown as a separate item in the Summary of Operations. The tax payable on 1973 income will be substantially less than the amount paid in advance through the year; the estimate of the refund is \$448,470, which is included in the item "Other Assets".

DIRECTORS — Because of the age limit imposed by the Canadian and British Insurance Companies Act, Messrs. M. J. Smith and J. W. Scott are ineligible for re-election at the Annual Meeting on February 4, 1974. Mr. Smith has been associated with the Company since its founding in 1920; among the positions in which he has served were those of General Manager, President, Chairman and Honorary Chairman. Mr. Scott has served as a director for 24 years. Their long experience and wise counsel will be greatly missed.

We regret to report the death in 1973 of Mr. J. M. Riddell, Q.C., who was elected an honorary director in 1972 after serving as a director for 38 years.

AUDIT COMMITTEE — During the year the Board of Directors established an Audit Committee and elected Messrs. H. D. Greb, J. E. Motz, H. E. Power and W. H. Timmis as the members thereof. Mr. Greb was subsequently elected chairman of the committee.

STAFF — The Directors again wish to record their sincere appreciation to the Head Office and Field Staffs. These human resources are the Company's most valuable asset. The successful growth of the Company is evidence of the high quality of the services they provide.

On behalf of the Board

H. E. POWER, *Chairman of the Board*
T. R. SUTTIE, *President*

OUR PROGRESS AT A GLANCE

	1973	1972	1963
New Business —			
Life and Annuity	\$ 138,340,514	\$ 131,139,904	41,624,075
Business in Force —			
Life and Annuity	1,652,345,834	1,455,527,610	409,320,159
Income	23,297,866	19,093,591	8,017,134
Assets	100,456,135	90,485,960	47,662,108
Benefit Payments	9,199,690	8,252,533	3,274,461
Investment Reserve and Unassigned Surplus	8,063,640	7,747,118	2,924,899
Dividends to Policyowners	1,476,114	1,355,190	541,461
Earned Interest Rate	7.10%	6.98%	5.55%
<i>(Net of investment expenses, but before investment income tax)</i>			

*The Equitable Life of Canada is a mutual company
owned entirely by its participating policyowners.*

AUDITORS' REPORT TO THE POLICYOWNERS

We have examined the statement of assets, liabilities and surplus of The Equitable Life Insurance Company of Canada as at December 31, 1973, and the summary of operations for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances; the policy reserves were determined and certified by the Company's actuary.

In our opinion, based on our examination and the certificate of the Company's actuary, the accompanying statement of assets, liabilities and surplus and the related summary of operations present fairly the financial position of the Company as at December 31, 1973, and the results of its operations for the year ended on that date in accordance with accounting practices prescribed or permitted by the Department of Insurance, Canada.

Waterloo, Ontario
January 25, 1974.

CLARKSON, GORDON & CO.,
Chartered Accountants

ACTUARY'S CERTIFICATE

The Policy Reserves of \$82,677,086 shown in the statement of assets, liabilities and surplus at December 31, 1973, are in excess of the reserves required by Section 82 of the Canadian and British Insurance Companies Act, and, in my opinion, make a good and sufficient provision for all unmatured obligations of the Company guaranteed under the terms of its policies, and the additions to policy reserves of \$7,643,850 shown on the accompanying statement of operations are a proper charge to operations for the year ended December 31, 1973.

January 21, 1974.

H. I. McINTOSH, F.S.A., F.C.I.A.,
Vice-President and Actuary

SUMMARY OF OPERATIONS

THE SOURCES OF INCOME WERE:

FOR YEAR ENDED DECEMBER 31
1973 **1972**
FOR COMPARISON

Premiums:

Insurance	\$10,805,516	\$10,034,620
Annuity	4,206,849	1,971,454
Health	1,168,400	865,347
Segregated Funds	1,011,665	433,556
	17,192,430	13,304,977

Earnings from investments after investment expenses and investment income tax	6,077,624	5,541,929
Changes in Values of Units in Segregated Funds	27,812	246,685
	<u>23,297,866</u>	<u>\$19,093,591</u>

THIS INCOME WAS USED FOR:

Payments to policyowners and beneficiaries:

Death and Disability benefits	3,855,513	\$ 3,250,524
Matured endowments and cash values	1,928,017	1,983,437
Annuity and settlement option payments	830,375	679,126
Interest on policyowners' funds	126,924	109,365
Health Insurance benefits	867,548	841,417
Benefits paid from Segregated Funds	115,199	33,474

Additions to policy reserves to provide for future payments	7,643,850	5,090,407
Increase in Segregated Funds	924,278	646,767

Operating expenses:

Compensation for sales and field service to policyowners	2,100,438	1,566,653
Service to policyowners at Head Office and branches	2,722,833	2,140,641
Premium and municipal taxes and licence fees	269,059	228,088
	<u>21,384,034</u>	<u>16,569,899</u>

Net adjustment in asset values	(261,804)	11,319
Dividends to policyowners in year	1,476,114	1,355,190
Increase in provision for next year's dividends to policyowners	298,000	97,000
Income tax on earnings	85,000	483,000
Increase in Investment Reserve	171,109	282,972
Increase in Unassigned Surplus	145,413	294,211
	<u>\$23,297,866</u>	<u>\$19,093,591</u>

STATEMENT OF - ASSETS

THE COMPANY HAS THESE ASSETS TO MEET ITS OBLIGATIONS TO POLICYOWNERS:	AT DECEMBER 31	
	1973	1972
	FOR COMPARISON	
BONDS	\$ 27,495,652	\$25,109,367
STOCKS	3,198,962	2,610,700
MORTGAGES	55,524,915	49,668,796
REAL ESTATE	2,319,683	2,444,909
Head Office, income producing property less mortgage indebtedness and investment in and loans to real estate subsidiary.		
LOANS TO POLICYOWNERS	5,829,819	5,387,243
Fully secured by the cash value of policies of this Company.		
CASH	1,260,154	1,998,394
PREMIUMS IN COURSE OF COLLECTION .	829,657	722,475
Fully secured by policy reserves.		
INTEREST ACCRUED	989,499	888,267
Interest from last payment date to December 31		
ELECTRONIC DATA PROCESSING EQUIPMENT	37,192	41,554
This equipment is valued at cost less amortization		
SEGREGATED INVESTMENT FUNDS . . .	2,519,194	1,594,916
Market value of the investments held in the funds		
OTHER ASSETS	451,408	19,339
The largest item is a refund of Income Tax paid in 1973.		

Bonds and stocks are shown at amortized cost and cost respectively, less certain write-downs, but, in the aggregate, exceed the maximum values allowed by the Canadian and British Insurance Companies Act by approximately \$220,000 against which the Company carries an investment reserve of \$3,104,081.

The commitment for the construction of an apartment building as an income producing property amounts to \$1,700,000 of which \$1,076,158 had not been expended at year end.

\$100,456,135	\$90,485,960
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H. E. POWER, Chairman of the Board

- LIABILITIES AND SURPLUS

THE OBLIGATIONS OF THE COMPANY ARE:

AT DECEMBER 31

1973

1972

FOR COMPARISON

POLICY RESERVES	\$ 82,677,086	\$75,033,236
This amount, with future premiums and interest earnings, provides for the payment of the benefits guaranteed by the Company's policies		
POLICYOWNERS' FUNDS	3,636,449	3,102,714
Policy proceeds left on deposit, dividends left to accumulate, policy benefits in process of payment, premiums received in advance and other policy-owners' funds		
POLICYOWNERS' DIVIDENDS	1,893,000	1,595,000
Provision for dividends payable in 1974		
RESERVE FOR UNREPORTED CLAIMS . .	929,965	769,340
An estimate of claims which may have occurred but have not yet been reported to the Company		
TAXES AND EXPENSES DUE AND ACCRUED	277,983	288,881
The largest item is the balance of premium tax payable for the year.		
SEGREGATED INVESTMENT FUNDS . . .	2,519,194	1,594,916
Contracts under which the benefits are determined by the market value of the securities, the obligation therefore being equal to the market value as carried in the assets		
OTHER LIABILITIES	458,818	354,755
Includes mortgagors' tax prepayments		
Total obligations	92,392,495	82,738,842
INVESTMENT RESERVE	3,104,081	2,932,972
Protection against fluctuation in the value of the assets		
UNASSIGNED SURPLUS	4,959,559	4,814,146
This provides additional security for policyowners and their beneficiaries and additional earning power for policyowners' dividends in future years		
	<u>\$100,456,135</u>	<u>\$90,485,960</u>

T. R. SUTTIE, *President*

BRANCH OFFICES

Branch Manager

CALGARY

R. A. RAMSDEN, C.L.U.

EDMONTON

D. M. LILLYCROP, C.L.U.

W. A. SMITH, *Asst. Mgr.*

GUELPH

R. M. WILLIAMS

HAMILTON

T. E. GOODING

KITCHENER

P. A. S. LYON

LONDON

H. J. ROSE

MONTREAL

J. G. LAVOIE

OSHAWA

K. H. QUINN

OTTAWA

N. E. LEGGETT, C.L.U.

REGINA

D. R. SHIELDS

ST. CATHARINES

P. W. ENGS, C.L.U.

Group Office

CALGARY

F. H. SCHNEIDER

Branch Manager

TORONTO

2805 York Centre

145 King St. W.

F. W. MONTGOMERY, LL.B., C.L.U.

237-6 Lansing Square

D. J. TABER, C.L.U.

401 Bay Street

I. DRUTZ, C.L.U.

Dixie Plaza

A. MEARNS

Suite 901, 94 Cumberland Street

J. I. HENDERSON, LL.B.

VANCOUVER

1055 West Hastings Street

K. O. HOPKINSON

777 Hornby Street

R. K. PETRIE, C.L.U.

VICTORIA

NORTHWESTERN INSURANCE
AGENCIES LTD.

WATERLOO

E. F. GOMAN, C.L.U.

WINDSOR

R. D. LOVELL

WINNIPEG

P. S. TAYLOR, C.A., C.L.U.

Group Office

WATERLOO

D. J. MULLIGAN

MORTGAGE LOAN OFFICES

LONDON

A. E. ELMSLIE, A.A.C.I.

Manager

OTTAWA

R. W. HILL

Manager

TORONTO

W. KOMPA, S.R.A.

Representative

WATERLOO

R. NOBLE, A.A.C.I.

Manager



The **EQUITABLE LIFE** insurance company
OF CANADA

HEAD OFFICE - WATERLOO, ONTARIO